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Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 PRS-01 INT-05 L-03 H-02 AGR-05 PA-01 /097 W
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TO SECSTATE WASHDC 3078
INFO AMEMBASSY BONN
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AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY THE HAGUE
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AMCONSUL EDINBURGH
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E.O. 11652: N/A
TAGS: PGOV, PINT, EGEN, UK
SUBJECT: HEALEY OPENS ANTI-INFLATION DEBATE, JUNIOR
MINISTER RESIGNS

REF: LONDON 10958

SUMMARY. CHANCELLOR HEALEY OPENED TWO-DAY DEBATE ON
ANTI-INFLATION WHITE PAPER AND IMPLIED THAT SOCIAL
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PROGRAMS WILL SUFFER AS HMG SEEKS TO HOLD LINE ON FUTURE

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SPENDING. HE DID NOT CLARIFY PLANNED SANCTIONS IN CASE WAGE GUIDELINES ARE VIOLATED, DESPITE OPPOSITION AND LABOR BACKBENCH DEMANDS FOR FURTHER DETAILS. CONSERVATIVE LEADER THATCHER ATTACKED GOVERNMENT PROPOSALS, BUT INDICATED TORIES WILL ABSTAIN ON FINAL VOTE. THIS EARNED HER THE SCORN OF LIBERAL LEADER THORPE WHO, WHILE CRITICAL OF GOVERNMENT, CHIDED TORIES FOR FAILING TO JOIN COMMON EFFORT TO STEM INFLATION. HEALEY'S HINTS AS TO HOLDING GOVERNMENT SPENDING IN CHECK CONFIRMED WORST SUSPICIONS OF PARLIAMENTARY LABOR PARTY (PLP) LEFT-WINGERS AND PRECIPITATED RESIGNATION OF JUNIOR MINISTER IN SCOTTISH OFFICE. OTHER JUNIOR MINISTERIAL RESIGNATIONS MAY FOLLOW, BUT WE DO NOT BELIEVE LEFT-WING OPPOSITION TO WHITE PAPER WILL THREATEN ITS SUCCESSFUL PASSAGE. END SUMMARY

1. CHANCELLOR OF THE EXCHEQUER DENIS HEALEY JULY 21 OPENED TWO-DAY DEBATE ON GOVERNMENT'S ANTI-INFLATION PROPOSALS WITH RELATIVELY WEAK STATEMENT WHICH DID NOTHING TO CLARIFY GOVERNMENT'S INTENTIONS REGARDING NEW LEGISLATION FOR SANCTION OF "ROGUE" EMPLOYERS WHO EXCEED SIX POUND WAGE CEILING. HE SUMMARIZED GOVERNMENT'S PLAN AS FOLLOWS: A) POWERS TO SANCTION EMPLOYERS WHO BREECH WAGE LIMIT; B) EXEMPTION OF STRIKING WORKERS FROM CONSPIRACY LAW; C) COMPULSORY NOTIFICATION OF ALL PAY SETTLEMENTS; AND D) POWERS TO REDUCE SETTLEMENTS IN EXCESS OF SIX POUNDS. HE ALSO IMPLIED THAT WHILE GOVERNMENT WILL TRY TO AVOID CUTS IN SOCIAL SPENDING, IT WILL HOLD LINE ON FUTURE EXPENDITURES. THIS WILL IN FACT ENTAIL REDUCTION OF SOCIAL SERVICES DUE TO EFFECTS OF INFLATION ON BUDGET. PLP LEFT-WINGERS INTERPRETED THIS STATEMENT AS JUSTIFICATION OF THEIR WORST FEARS AND IT TRIGGERED FLURRY OF TRIBUNE GROUP ACTIVITY. IT ALSO PRECIPITATED RESIGNATION OF SCOTTISH OFFICE UNDERSECRETARY BOB HUGHES.

2. OPPOSITION LEADER MARGARET THATCHER ANSWERED HEALEY, BUT DUE TO SHADOW CABINET DECISION (REFTEL) WAS UNABLE TO MAKE SIGNIFICANT POLITICAL CAPITAL FROM HEALEY'S RELATIVELY WEAK PRESENTATION OF GOVERNMENT'S CASE. WHILE SHE PRESSED HIM FOR DETAILS ON PLANNED SANCTIONS
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(WITHOUT SUCCESS), SHE WAS IN END FORCED TO ADMIT THAT

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CONSERVATIVES WILL ABSTAIN ON FINAL VOTE. THIS CONFESSION
EARNED HER REBUKE FROM LIBERAL LEADER JEREMY THORPE WHO,
ALTHOUGH CRITICAL OF GOVERNMENT'S PROPOSALS, URGED ALL
PARTIES TO JOIN IN COMMON EFFORT TO CONTROL INFLATION.

3. COMMENT: HEALEY'S STATEMENT CLEARLY FANNED SMOLDERING
COALS OF REBELLION IN TRIBUNE GROUP WHICH HAD PREVIOUSLY
BEEN DIVIDED ON ITS RESPONSE TO WHITE PAPER (REFTEL).
WE UNDERSTAND SEVERAL OTHER LEFT-WING JUNIOR MINISTERS
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ARE CONSIDERING RESIGNATION, BUT ARE DIVIDED AS TO MOST APPROPRIATE TIMING--SOME REPORTEDLY FAVOR IMMEDIATE RESIGNATION, WHILE OTHERS BELIEVE IT WOULD BE MOST USEFUL TO WITHHOLD ACTION UNTIL GOVERNMENT IS FORCED TO SEEK LEGISLATION TO SANCTION VIOLATIONS OF ITS WAGES POLICY. IT NOW SEEMS APPARENT, HOWEVER, THAT AS MANY AS FIFTY LABOR LEFT-WINGERS COULD VOTE AGAINST GOVERNMENT ON MAIN MOTION JULY 22 (THIS COMPARES WITH EARLIER ESTIMATED MAXIMUM OF 20). NEVERTHELESS, IT STILL APPEARS THAT WHITE PAPER WILL SAIL EASILY THROUGH HOUSE, IN SPITE OF REBELLION ON LEFT AND POSSIBLE RESIGNATION OF JUNIOR MINISTERS, THANKS TO CONSERVATIVES' DECISION TO ABSTAIN AND SOME EXPECTED CONSERVATIVE DEFECTIONS TO GOVERNMENT ON THIS ISSUE.

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